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November 12, 2003

Last June I wrote to you detailing my efforts to address the dire situation facing our manufacturers. Over the past few months there has been some noteworthy events, so I want to update you on the specific changes being adopted to begin to address the problems you have brought to my attention during our meetings.

First, I am pleased to report that there is strong evidence of improvement nationwide. Although pundits have been saying for months that the economy is about to turn the corner, there has been scant indication of it in the manufacturing sector. This week, however, the Commerce Department released some heartening news. On a macro level, new figures show that our economy is growing at a blistering pace. The 7.2 percent annual growth rate is the strongest in nearly two decades. There is more good news specifically for manufacturers. Orders for durable goods are up for the third quarter in a row and recent statistics show that businesses are taking advantage of tax law changes to make capital improvements and purchase new equipment. I believe that we are now on a path to sustained growth.

Despite the promising signs, there are still significant problems facing American manufacturing. A host of issues continue to plague small and medium sized companies ranging from unfair foreign competition to the mistreatment of subcontractors by large manufacturers. The following is an update on a number of initiatives I have been working on to strengthen manufacturing:

- Pressing China to revalue its currency As many of you are aware, the Chinese currency is pegged at a fixed rate to the dollar. This artificial value gives Chinese goods a 30 to 40 percent price advantage over U.S. products. I have been told by experts that a revaluation of the Chinese currency by 20 to 25 percent would reduce our trade deficit by \$50 billion, which in turn translates into 500,000 jobs, mainly in manufacturing. I was one of the first members of Congress to write to Secretary Snow to raise the currency issue with the Chinese government, which he did on his recent trip to Asia. More recently, President Bush in face-to-face meetings pressed the Chinese Premier to begin the process of uncoupling the yuan from the dollar. I have also co-sponsored legislation with my colleague Representative Phil English of Pennsylvania that would impose tariffs on the Chinese equal to the estimated damage caused by the artificial value of their currency.
- Strengthening "Buy America" language and improving the treatment of our subcontractors I have been working closely with Armed Services Chairman Duncan

- Hunter to insert stronger “Buy America” language in our defense bills. Our international trade agreements give us broad latitude to direct purchasing to domestic companies in the name of national security. We need to take greater advantage of this freedom. I am also working with the Chairman Hunter on drafting a bill of rights for subcontractors that will help address some of the most egregious abuses perpetrated by our large prime contractors. I hope that in the 2005 Defense Authorization bill that we can inject some fairness into the dealings between large and small contractors.
- Providing tax relief for American Manufacturers to reduce costs and improve competitiveness In response to a WTO ruling, we were forced to repeal a tax provision that benefits domestic exporters. The ruling provided an opportunity to reshape the tax code to make ALL our businesses – large and small, international and domestic, and exporters and non-exporters – more competitive. In a nutshell, our bill reduces tax rates for domestic companies by 3 percentage points no matter what they do, reduces the cost of making investments needed to protect jobs and repeals tax provisions that make U.S. companies uncompetitive abroad. It will protect U.S. jobs and is a positive step toward a 21st century tax code.
- Continuing working with the USTR and Commerce Department to shut down counterfeiting operations in China At a recent hearing of the Ways and Means Committee I was pleased that the United States Trade Representative (USTR) indicated that they were interested in aggressively pursuing Chinese violations of our patent laws. Chinese companies have been able to steal American product designs with impunity because it is difficult for most small and medium companies to navigate international trade law. The Commerce Department in cooperation with the USTR is pressing for the resolution of individual cases that are brought to their attention. The intended goal is to use the cases to force China to strengthen its enforcement systems. So if you have a case, please share it with my office.
- Continuing to press the administration to remove the steel tariffs In September the International Trade Commission released an interim report assessing the effects of the steel tariffs. One of their central points is that the tariff interrupted the supply of quality steel and raised the prices the steel consuming industry. Although the report was not an explicit condemnation of the tariff, it did provide evidence that the tariff is hurting the manufacturing sector. I am optimistic that the president will reverse his position in light of the new facts.
- Continuing to push for surge protection measures This is the hardest of all the initiatives I have undertaken. Enclosed is my letter to Secretary of Commerce Don Evans, which I have also forwarded to Karl Rove. I am bringing the issue up periodically and hope to have some concrete response to this initiative soon.

Restoring the health and vitality of the manufacturing sector continues to be one of my top priorities in Congress. I am pleased with the actions we have taken thus far and can assure you that no preceding administration has responded as forcefully and rapidly as has this administration, since Mac Baldrige was President Reagan’s Secretary of Commerce. Recent

evidence is showing that changes to tax law are working and I am hopeful that all the high level China discussions coupled with our forwarding specific cases of counterfeiting will result in concrete results. Thank you for helping me push these important issues to the forefront. I will continue to rely on your good counsel to get at the heart of problem.

Very truly yours,

A handwritten signature in black ink, reading "Nancy L. Johnson". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Nancy Johnson
Member of Congress